

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)  
CONDUIT 501(c)(3) REVENUE BOND FINANCING PROGRAM**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	The California Academy of Sciences (“Borrower” or “Academy”)	<b>Par Amount Requested:</b>	Not to exceed \$ 285,000,000
<b>Applicant Description:</b>	The Academy is a nonprofit public benefit corporation, a scientific and educational institution located in Golden Gate Park, San Francisco. The Academy operates the Kimball Natural History Museum, Steinhart Aquarium, Morrison Planetarium, and various research and education departments.		
<b>Type of Financing:</b>	The Academy requests issuance of up to \$285,000,000 in conduit Tax-exempt Fixed and Variable Rate Revenue Bonds (the “Bonds”).		
<b>Project Description:</b>	The Project will provide funding to, (1) refund all or a portion of the outstanding principal amount of the \$281,450,000 California Infrastructure and Economic Development Bank Revenue Bonds (California Academy of Sciences, San Francisco, California) Series 2008A, Series 2008B, Series 2008C, Series 2008D, Series 2008E and Series 2008F (collectively, the “2008 Bonds”), currently outstanding in the aggregate principal amount of \$281,450,000, and (2) pay certain costs of issuance in connection with the Bonds.		
<b>Project Site:</b>	55 Music Concourse Drive, San Francisco, CA 94118 (San Francisco County)		
<b>Plan of Finance:</b>	IBank intends to issue one or more series of conduit tax-exempt revenue bonds through a public offering. The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement to refund all or a portion of the 2008 Bonds and finance the costs of issuance of the Bonds.		
<b>Type of Issue:</b>	Public Offering		
<b>Tax Status:</b>	Tax-exempt		
<b>Term:</b>	Up to 35 years		
<b>Credit Enhancement:</b>	None		
<b>Expected Credit Rating:</b>	Moody’s A3		
<b>IBank Fees:</b>	Application Fee \$4,000; Issuance Fee \$125,000; Initial Annual Fee \$3,500 per year		
<b>STO Fee:</b>	Agent For Sale Fee \$10,000		
<b>Estimated Sources of Funds:</b>		<b>Estimated Uses of Funds:</b>	
Tax-exempt Bond Proceeds	\$285,000,000	Refunding of Series 2008 Bonds	\$281,450,000
Original Issue Discount	(3,550,000)	Underwriter’s Discount	687,900
Borrower Funds	1,124,400	Cost of Issuance	436,500
<b>TOTAL SOURCES</b>	\$286,124,400	<b>TOTAL USES</b>	\$286,124,400
<b>Financing Team</b>			
<b>Bond Counsel:</b>	Hawkins, Delafield & Wood LLP		
<b>Underwriter:</b>	Wells Fargo Bank, NA		
<b>Co-Manager:</b>	J.P. Morgan Securities LLC		
<b>Underwriter’s Counsel:</b>	Orrick, Herrington & Sutcliffe LLP		
<b>Trustee and Remarketing Agent:</b>	Wells Fargo Bank, NA		

<b>Public Benefits:</b>	The Academy's primary mission is to provide various research, education, and exhibition programs for the benefit of the public at large as well as the scientific community. Over 1.3 million guests visit the Academy annually with discounted admissions for school field trip groups. The total estimated gross savings, prior to costs of issuance, will be about \$2.09 million per year. The savings calculations assume an interest rate of 70% of 1-Month LIBOR plus 50 basis points. The Academy currently employs approximately 605 employees of which, approximately 489 are full-time employees. The reduction in annual debt management cost will allow the Academy to reinvest its resources towards its primary mission.	
<b>Date of Board Meeting:</b> June 26, 2018	<b>Resolution Number:</b> 18-08	<b>Prepared by:</b> John Belmont
<b>Staff Recommendation:</b> Staff recommends approval of Resolution No. 18-08 authorizing the issuance of Conduit, Tax-exempt Fixed and Variable Rate Bonds, in an aggregate amount not to exceed \$285,000,000 for the benefit of The California Academy of Sciences.		

## BACKGROUND AND HISTORY

The Academy, a California non-profit public benefit corporation, was founded on April 4, 1853 by its seven founders. Their purpose was conducting a systematic survey of the State to collect rare and valuable geological pieces. The Academy now operates a scientific and educational museum located in Golden Gate Park, San Francisco, CA. That approximately 410,000 square foot facility includes an aquarium, planetarium, rainforest, and natural history museum, along with scientific, research and educational programs in one location.

The Academy's mission is to explore, explain, and sustain life. The Academy places a high priority on science education programs for Bay Area schools and the general public. The Academy's activities also include undertakings beyond the regular operation of its facilities. These include a Committee on the Conservation of Wild Animal Life, an expedition to the Galapagos Islands to bring 331 live specimens for display and study at the Steinhart Aquarium, and a weekly TV program.

The 1989 Loma Prieta earthquake caused serious structural damage to the Academy's buildings. To address the damage and to sustain the high number of visitors, the Academy decided to create a modern museum for the 21<sup>st</sup> century. In 2005, construction began on a new design by prominent architect Renzo Piano. The new museum opened in 2008, consolidated an aquarium, planetarium, and natural history museum and replaced 12 deteriorated and earthquake-damaged structures with one modern facility. The combined facility allowed Golden Gate Park to reclaim an acre of open space.

Today the Academy is home to:

**Kimball Natural History Museum** – Opened in 1962 and contains one of the world's largest natural history collections.

**Steinhart Aquarium** – Opened in 1923.

**Alexander F. Morrison Planetarium** – Opened in 1952 and houses the world's largest all-digital planetarium.

**Simson African Hall** – Opened in 1934. The Hall includes Human Odyssey exhibit, which displays our species' evolution and migrations and it is home to a colony of African penguins.

The Academy also houses many research and educational departments as well as ongoing exhibitions such as Osher Rainforest, Giants of Land and Sea, Color of Life, Water Planet, The Coral Reefs of the World, and The Swamp.

The City of San Francisco owns all of the Academy's buildings and improvements, including the Steinhart Aquarium, the original Natural History Museum, the Simson African Hall, the Alexander F. Morrison Planetarium and Auditorium. However, the Academy manages the buildings and improvements and the majority of employees working within the Academy buildings are the Academy's employees.

### Financial Information

The main sources of the Borrower's revenue are fundraising, admission fees, membership dues, government and private grants, and store and cafeteria concessions. The City provides funds for the operation of the Aquarium and maintenance of the buildings. For

the fiscal year ending June 30, 2018, the City has allocated \$6,923,573 within the City budget to fund these activities.

### **Financing the Academy's Facilities**

On July 29, 2008, IBank issued 2008 Bonds. The 2008 Bonds: (a) refunded the \$65,000,000 California Infrastructure and Economic Development Bank Revenue Bonds (California Academy of Sciences, San Francisco, California) Series 2003-A, issued on March 13, 2003, and the \$115,000,000 California Infrastructure and Economic Development Bank Revenue Bonds (California Academy of Sciences, San Francisco, California) Series 2005A and 2005B, issued on February 24, 2005, the proceeds of which financed a portion of the costs of improving (i) certain temporary facilities located at 875 Howard Street in the City (the "Temporary Facilities"), and (ii) certain permanent facilities located at 55 Music Concourse Drive in the City (the "Permanent Facilities"), (b) financed the improvement of the Permanent Facilities, (c) provided working capital for the Borrower, (d) financed capitalized interest on the 2008 Bonds, (e) paid costs of issuance of the 2008 Bonds, and (f) paid other related costs and expenses of the Borrower.

In connection with the renovation efforts, the Academy moved out of the Golden Gate Park to the Temporary Facilities in 2003 for a period of about 4 years. In 2007, after completion of the Permanent Facilities in the Golden Gate Park, the Academy moved back to its permanent place. The Permanent Facilities opened to public on September 27, 2008. The Academy closed the Temporary Facilities to visitors on January 6, 2008.

The California Secretary of State reports active status for the Academy with a registration date of 5/13/1904. The list of current leadership is available in Appendix A.

## PROJECT DESCRIPTION

The Academy seeks to refund the 2008 Bonds, which are currently held as direct purchase bonds by Wells Fargo Bank, JP Morgan Chase Bank, and U.S. Bank.

The 2008 Bonds financed a major reconstruction of the Academy's facilities, which involved the demolition, renovation, construction, replacement and equipping of the Academy's museum, research and educational facilities. The reconstruction was completed approximately ten years ago and the improved facilities opened in September 2008.

(see Appendix B--Project Photo).

### **The Borrower's Current Debt (Refunding Candidates):**

The 2008 Bonds have variable interest rates and their scheduled final maturity is September 1, 2038.

Bond Issue	Date Issued	Par Amount	Outstanding
2008A	7/29/2008	\$93,360,000	\$93,360,000
2008B	7/29/2008	\$60,010,000	\$60,010,000
2008C	7/29/2008	\$44,465,000	\$44,465,000
2008D	7/29/2008	\$34,425,000	\$34,425,000
2008E	7/29/2008	\$24,595,000	\$24,595,000
2008F	7/29/2008	\$24,595,000	\$24,595,000
	<b>Total</b>	<b>\$281,450,000</b>	<b>\$281,450,000</b>

## FINANCING STRUCTURE

### **IBank Term Sheet The California Academy of Sciences Date: June 26, 2018**

<b>Par Amount:</b>	Up to \$285,000,000; tax-exempt Bonds
<b>Type of Offering:</b>	Public Offering in one or more series or combinations
<b>Underwriter:</b>	Wells Fargo Bank, NA, as Senior Manager and Book Runner J.P. Morgan Securities LLC, as Co-Manager
<b>Credit Enhancement and Expected Credit Rating</b>	No credit enhancement. A rating of at least "A3" required as a condition to closing.
<b>Interest*:</b>	Initially, one or more series in a LIBOR-based variable rate and/or fixed rate (the Indenture includes multiple interest rate modes and terms, including both fixed and variable rates), with a maximum interest rate not to exceed 9%.
<b>Maturity:</b>	Up to 35 years
<b>Closing Date*:</b>	August 1, 2018
<b>Conduit Transaction:</b>	The Bonds are special, limited obligations payable solely from payments made by the Borrower under the transaction documents and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Bonds.

\*Please note that Interest Rate and Closing Date are subject to change.

### **Financing Structure**

The Bonds will be secured by an Indenture and sold through a public offering pursuant to a Bond Purchase Agreement. Wells Fargo Bank, NA will be senior managing underwriter and book runner and will purchase 80% of the Bonds pursuant to the Bond Purchase Agreement ("BPA"). Wells Fargo Bank, NA will act as the Remarketing Agent and Trustee for the Bonds. J.P. Morgan Securities LLC will be co-manager and will purchase 20% of the Bonds pursuant to the BPA. The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement. The Bonds will be issued in fixed and variable rates.

The current plan of financing contemplates the Bonds being issued in five series (Series A through E). The first four series of Bonds (Series A through D) would be issued as variable rate bonds tied to a LIBOR index and the fifth series (Series E) would be issued as fixed rate bonds. The variable rate bonds would be issued in denominations of \$100,000 or any integral multiple in excess thereof and the fixed rate bonds would be issued in minimum denominations of \$5,000 or any integral multiple thereof.

## Limited Obligations of IBank

The Bonds are payable solely from and secured solely by the pledge of the Borrower's payments under the Loan Agreement and any available amounts held in the funds or accounts established and pledged pursuant to the Indenture. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Bonds are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

### PUBLIC BENEFITS

The Academy is an international center for environmental and scientific research providing exhibitions, programs, education, and outreach. Each year over 1.3 million guests visit the Academy, with free or reduced admissions granted to school field trip groups. The Academy's three primary areas of focus are education, original scientific research, and public engagement. The Academy's goal is to change how we view the natural world, our place in the universe, and protecting life. The Academy is able to achieve this goal by supporting and contributing to national and international scientific communities, as well as making available for the public, students, and scientists research collections, scientific works and illustrations. The Academy facilities are certified double LEED platinum from the U.S. Green Building Council for its sustainable design and operations.

The Academy currently employs approximately 605 employees of which, approximately 489 are full-time employees. Twelve full-time engineers who work at the Academy are employed by the City.

Since the Project is a refunding, savings for the Borrower are of central importance. Due to the reduction in the corporate tax rate under the 2017 tax reform legislation, the coupons on two series of the 2008 Bonds were adjusted upward by approximately 40 bps. The other series of bonds are expected to include the "margin rate factor" adjustment if or when renewed in November 2018. The Academy expects to achieve significant annual debt service savings by entering into this transaction.

<b>Bond Series</b>	<b>Expected Debt Service Annual Savings</b>
<b>2008A</b>	\$712,000
<b>2008B</b>	\$436,000
<b>2008C</b>	\$323,000
<b>2008D</b>	\$250,000
<b>2008E</b>	\$188,000
<b>2008F</b>	\$178,000
<b>Total</b>	<b>\$2,087,000</b>

The estimated annual savings are gross savings and do not take into account the estimated cost of issuing the Bonds. The savings calculations assume an interest rate equal to 70% of 1-Month LIBOR + 50 basis points. Actual savings will fluctuate given that interest rates will change due to changes in interest rate modes and the selection of

variable rate interest rate modes. The reduction in annual debt management cost will allow the Academy to reinvest its resources towards its primary mission.

**OTHER PROJECT DATA**

<b>PERMITS AND APPROVAL</b>	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
<b>TEFRA</b>	
Date of TEFRA Publication:	6/5/2018
Publications:	San Francisco Chronicle and <i>The Sacramento Bee</i>
Date of TEFRA Hearing:	6/19/2018
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
<b>ELIGIBILITY REVIEW</b>	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> <li>1. Project is in the State of California.</li> <li>2. The Borrower is capable of meeting the obligations incurred under relevant agreements.</li> <li>3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements.</li> <li>4. The proposed financing is appropriate for the Project.</li> </ol>
<b>INDUCEMENT CERTIFICATE</b>	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES      Certificate No.: <input checked="" type="checkbox"/> N/A                      Date:

**RECOMMENDATION**

Staff recommends approval of the Resolution No. 18-08 authorizing the issuance of Conduit Tax-exempt Fixed and Variable Rate Bonds in an aggregate amount not to exceed \$285,000,000 for the benefit of The California Academy of Sciences.



## APPENDIX A: GOVERNANCE AND MANAGEMENT

### OFFICERS

Jonathan Foley, PhD, Executive Director
Ike Kwon, Chief Operating Officer
Mike McGee, Chief Financial Officer

### BOARD MEMBERS

Jerome C. Vascellaro, Chair	Position: Partner and Chief Operating Officer Affiliated Company: TPG Capital San Francisco, CA
Elizabeth (Liebe) Rockwood Patterson, Secretary	Position: President Affiliated Company: The Elizabeth R. and William J. Patterson Foundation San Anselmo, CA
Harold A. Mooney, PhD, President	Position: Professor of Environmental Biology Affiliated Company: Stanford University Stanford, CA
Charles Marshall, PhD, Vice President	Position: Director Affiliated Company: UC Museum of Paleontology Berkeley, CA
Bruce M. Alberts, PhD	Position: Chancellor's Leadership Chair in Biochemistry and Biophysics for Science and Education Affiliated Company: University of California, San Francisco, CA
Matthew R. Barger	Position: Managing Member Affiliated Company: MRB Capital LLC San Francisco, CA
Teresa Briggs	Position: Vice Chair and West Region Managing Partner Affiliated Company: Deloitte & Touche, LLP San Francisco, CA
Mark Buell	Position: President Affiliated Company: San Francisco Recreation and Park Commission San Francisco, CA
Dan Carroll	Position: Co-Founder Affiliated Company: Brooklands Capital Strategies San Francisco, CA
Huifen Chan	Position: Managing Director Affiliated Company: YongHeng Partners Menlo Park, CA
Gretchen C. Daily, PhD	Position: Bing Professor of Environmental Science Affiliated Company: Stanford University Stanford, CA
Troy E. Daniels, DDS	Position: Professor Emeritus Affiliated Company: Schools of Dentistry and Medicine University of California, San Francisco, CA
William F. Duhamel	Position: Founding Principal Affiliated Company: Route One Investment Company, L.P. San Francisco, CA
Peter Fenton	Position: General Partner Affiliated Company: Benchmark San Francisco, CA

Laura E. Furstenthal, PhD	Position: Managing Partner, San Francisco Affiliated Company: McKinsey & Company, Inc. San Francisco, CA
Nick Giovanni	Position: Global Co-Head of Technology Investment Banking Affiliated Company: Goldman Sachs San Francisco, CA
Kevin Hartz	Position: Partner Affiliated Company: Founders Fund San Francisco, CA
Tessa M. Hill, PhD	Position: Professor and Chancellor's Fellow Affiliated Company: University of California, Davis, CA
Dan Janney	Position: Managing Partner Affiliated Company: Alta Partners San Francisco, CA
Oliver Jenkyn	Position: Group Executive, North America Affiliated Company: Visa, Inc. San Francisco, CA
David M. Kennedy, PhD	Position: Director Emeritus and Professor of History Affiliated Company: The Bill Lane Center for the American West Stanford, CA
Salman Khan	Position: Founder and Chief Executive Officer Affiliated Company: Khan Academy Mountain View, CA
Steve Krognes	Position: Chief Financial Officer Affiliated Company: Denali Therapeutics Inc. South San Francisco, CA
Roger G. Kuo	Position: Senior Vice President Affiliated Company: Dodge and Cox San Francisco, CA
Zachary Lara	Position: Chief Technology Officer Affiliated Company: Massive Black San Francisco, CA
Marie O'Gara Lipman	Position: Philanthropist Affiliated Company: N/A (Philanthropist) San Francisco, CA
Pamela Matson, PhD	Position: Dean, School of Earth, Energy and Environmental Science Affiliated Company: Stanford University San Francisco, CA
Steve McCormick	Position: Co-Founder and CEO Affiliated Company: The Earth Genome Los Altos, CA
Lawrence Miao	Position: Founding Managing Director Affiliated Company: Olympus Capital Asia San Francisco, CA
Michael A. Millman	Position: Global Head of Technology Investment Banking, Co-Head of Equity Capital Markets, Americas Affiliated Company: J.P. Morgan Chase San Francisco, CA
Claire Ngo	Position: Managing Director, Americas and Organisation & People Affiliated Company: Temasek International San Francisco, CA

Emilie Munger Ogden	Position: Philanthropist Affiliated Company: N/A (Philanthropist) City, State: San Rafael, CA
Gary Pinkus	Position: Managing Partner, North America Affiliated Company: McKinsey & Company San Francisco, CA
Marta Salas-Porras	Position: Artist, Designer, Technologist Affiliated Company: N/A San Francisco, CA
Adam Savage	Position: Celebrity and TV Persona Affiliated Company: N/A San Francisco, CA
Andrew J. Schwab	Position: Founder and Managing Partner Affiliated Company: 5AM Ventures San Francisco, CA
Gary T. Steele	Position: Member, Board of Trustees Affiliated Company: Landec Corporation San Mateo, CA
Virginia Goss Tusher, PhD	Position: Philanthropist Affiliated Company: N/A (Philanthropist) Belvedere, CA
Summer Tompkins Walker	Position: Owner and Founder Affiliated Company: Walker Valentine San Francisco, CA
Geisha Williams	Position: Chief Executive Officer and President Affiliated Company: Pacific Gas and Electric Company San Francisco, CA
Richard Yorke	Position: Executive Vice President and Head of International Group Affiliated Company: Wells Fargo, N.A. San Francisco, CA
Ron Zeff	Position: Founder and CEO Affiliated Company: Carmel Partners San Francisco, CA

### Note Regarding Academy's Board Members

Bond counsel confirmed that the following Board Members of the Borrower recused themselves from attending the Board of Directors meeting on May 14, 2018 and did not participate in the vote on the Borrower's Bonds:

Michael A. Millman

Global Head of Technology Investment  
Banking, Co-Head of Equity Capital  
Markets, Americas  
**J.P. Morgan Chase**, San Francisco

Richard Yorke

Executive Vice President and Head of  
International Group  
**Wells Fargo, N.A.**, San Francisco

APPENDIX B: PROJECT PHOTO



**APPENDIX C: FINANCIAL STATEMENTS 2015 – 2017**